

Mr. Monte Williams  
Special Taxes Section  
Excise Taxes Division

July 24, 1991

Janet Vining  
Tax Counsel

**PETROLEUM PRODUCT DEFINITION AND APPLICATION OF OIL SPILL FEES**

Your May 3, 1991 memorandum to Gary Jugum has been referred to me for response. You have requested an opinion concerning whether chemicals produced at a petrochemical plant, alcohol, and motor and lube oils may be considered "petroleum products" for purposes of administering the oil spill fees program.

Government Code Section 8670.3(n) defines "petroleum product" to mean

...any liquid hydrocarbon at atmospheric temperature and pressure that is the product of the fractionation, distillation, or other refining or processing of crude oil and is used as, useable as, or may be refined as, a fuel or fuel blendstock, including, but not limited to, gasoline, diesel fuel, aviation fuel, bunker fuel, and fuels containing a blend of alcohol and petroleum.

Chemicals

In your memorandum, you indicate that a petrochemical plant uses various feedstocks to produce liquid chemicals. We agree with your opinion that the chemicals produced at a petrochemical plant are not petroleum products within the meaning of Section 8670.3(n), since they are not a direct product of the fractionation, distillation, or other refining or processing of crude oil.

Alcohol, which is also a product of a petroleum chemical plant, may be used as a fuel or blended with gasoline to produce gasohol. We agree with your opinion that alcohol is not a petroleum product, but that the blended fuel (gasoline and alcohol) is a petroleum product.

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Oils

In your memorandum, you also state that a lube oil plant uses lube distillates and base oils to compound and blend motor oil and lube oil. The lube oil plant uses various processes (such as solvent extraction, acid treating, deasphalting, and hydrofining) to purify the feedstock and blends various additives to give the finished product detergent or heat-tolerant properties.

Approximately 20% of the contents of motor oil and lube oil is additives. We therefore conclude that, since motor oil and lube oil are not a direct product of the fractionation, distillation, or other refining or processing of crude oil, they are not petroleum products within the meaning of Section 8670.3(n).

Since motor oil and lube oil are not subject to the oil spill fee, it is unnecessary to answer your questions concerning the manner in which the oils are shipped.

Please let me know if you have any further questions.

JV:wk  
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cc: Mr. Allan K. Stuckey  
Mr. E. V. Anderson  
Mr. Roger Dunstan, Department of Fish and Game

bc: Mr. Edward W. King  
Mr. Arlo Gilbert  
Mr. Lawrence A. Augusta  
Ms. Mary Armstrong  
Mr. Gordon Adelman